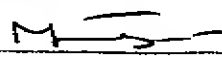


KING SABATA DALINDYEBO
MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Members of the Council

Previous Executive Mayor

Cllr S Mlamli

Executive Mayor - Appointed 3 June 2011

Cllr N Ngqongwa

Speaker

Cllr FV Dondashe

Chief Whip

Cllr DM Zozo

Previous Members of the Executive Committee

**New Members of the Executive Committee
- Appointed 3 June 2011**

Cllr LN Ntlonze (Special Programmes Unit)
Cllr KK Mdikane (PSED)
Cllr Mangxaba Holomisa (Chief Whip)
Cllr BT Mashiyi (Technical Services)
Cllr SS Dawuwa (Budget and Treasury)
Cllr N Ngqongwa (Human Settlements)
Cllr NS Njemla (Community Services)
Cllr M Stoyile (Public Safety)
Cllr MA Mayekiso (Corporate Services)

Cllr LS Nduku (Infrastructure)
Cllr LN Ntlonze (Corporate Services)
Cllr N Gcingca (Local Economic Development)
Cllr MS Mlandu (Public Safety and Transport)
Cllr KK Mdikane (Planning and Development)
Cllr FRS Ngcobo (Budget and Treasury)
Cllr N Nyangani (Special Programmes Unit)
Cllr M Mtirara (Disaster Management)
Cllr LR Madyibi (Community Services)

Previous Council Members

Cllr H Bungqu
Cllr V Dangala
Cllr NR Gcingca
Cllr ON Godololo
Cllr MB Gqithiyeza
Cllr ZM Gusana
Cllr PJ Gwadiso
Cllr DB Gwazela
Cllr AVM Kraai
Cllr N Kuluta
Cllr KN Kwetana
Cllr PN Liwani
Cllr AN Lumkwana
Cllr GN Madubedube
Cllr LR Madyibi
Cllr N Madyibi
Cllr P Mangesi
Cllr PN Mantanga
Cllr M Mapelana
Cllr M Mavukwana
Cllr BM Mbutuma

Cllr ZN Mncunza
Cllr VC Momoza
Cllr MH Mtirara
Cllr FM Mtwa
Cllr N Mtwa
Cllr WN Mvunge
Cllr NF Mzimane
Cllr GN Ndila
Cllr NA Ndlela
Cllr B Ndlobongela
Cllr MM Ngabayena
Cllr RF Ngqele
Cllr N Ngqongwa
Cllr SS Njemla
Cllr NL Nkosiyané
Cllr HMM Ntshobane
Cllr S Nyengane
Cllr B Pierce
Cllr SS Qina
Cllr E Sangovana
Cllr ZL Siziba

King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Cllr N Mda
Cllr M Mkhotele
Cllr M Mpahlewa
Cllr M Mbutye
Cllr GM Mkupa

Cllr NA Sobahle
Cllr NF Soldati
Cllr KW Tsipa
Cllr V Vayeke

New Members - appointed 3 June 2011

Cllr BD Bara
Cllr M Bunzana
Cllr V Dangala
Cllr J Dlamini
Cllr EM Fileyo
Cllr M Gogo
Cllr ZN Gusana
Cllr VO Gwadiso
Cllr M Jafta
Cllr NC Jijana
Cllr R Knock
Cllr NS Kwaza
Cllr KN Kwetana
Cllr NM Luqhidi
Cllr LM Luwaca
Cllr AZ Luyenge
Cllr Z Magazi
Cllr ET Mapekula
Cllr ZV Maqabuka
Cllr M Ngabayana
Cllr NA Ndlela
Cllr B Ndlobongela
Cllr GN Nelani
Cllr SS Njemla
Cllr T Nomvete
Cllr PP Nontshiza
Cllr T Nqadolo
Cllr M Nyoka
Cllr VN Xhobani
Cllr MA Zimela

Cllr HN Maroloma
Cllr XT Matiti
Cllr M Mavukwana
Cllr B Mazini
Cllr M Menzelwa
Cllr LL Mkhonto
Cllr S Mamlu
Cllr ZN Mncunza
Cllr B Momoza
Cllr N Mphemnyama
Cllr NE Mqhingwana
Cllr MJ Msakeni
Cllr TM Mtirara
Cllr MH Mtirara
Cllr FM Mtwana
Cllr N Mtwana
Cllr NF Mzimane
Cllr N Pali
Cllr M Plam
Cllr ST Peters
Cllr NSS Qina
Cllr N Qwase
Cllr VN Roji
Cllr WV Sanda
Cllr N Sikhonkothela
Cllr LA Tshiseka
Cllr KW Tsipa
Cllr MI Xentsa

King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information (continued)

Nature and Legal Form of Entity:

The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.

Principal Activities:

The municipalities principal activities are defined and governed by paragraph 152, Chapter 7, of the Constitution of the Republic of South Africa, 1996, as amended

Legislation:

The main legislation governing the municipality's operations are:

Municipal Finance Management Act No.56 of 2003
Municipal Systems Act No.32 of 2000
Municipal Structures Act No. 117 of 1998

Registered Office:

Mthatha

Physical address:

Munitata Building
Surtherland Street
Mthatha

Postal address:

Private Bag X 5083
Mthatha
5099

Telephone number:

(047) 501 4000

Fax number:

(047) 531 2085

E-mail address:

ksd@ksd.org.za

Grading of Local Authority

Grade 4

Auditors

Auditor General South Africa

Bankers

ABSA
First National Bank

King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 60, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Municipal Manager

31 August 2011

King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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King Sabata Dalindyebo Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	2011 R	2010 R
ASSETS		395,983,458	379,516,772
Current assets			
Cash and cash equivalents	1	28,297,964	22,694,962
Trade and other receivables from exchange transactions	2	71,299,896	68,868,715
Other receivables from non-exchange transactions	3	7,935,477	10,747,503
Inventories	4;10	86,618,957	87,706,517
Call Investment Deposits	5	159,923,325	151,764,291
VAT receivable	13	41,907,838	37,734,784
		1,107,537,369	1,049,367,335
Non-current assets			
Non-current receivables	6	156,541	160,181
Property, plant and equipment	7;10	1,048,275,893	990,001,864
Intangible assets	8	390,151	490,506
Investment property carried at fair value	9	58,714,784	58,714,784
		1,503,620,828	1,428,884,107
Total assets			
LIABILITIES		166,549,487	164,080,531
Current liabilities			
Trade and other payables from exchange transactions	11	81,915,287	54,477,025
Consumer deposits	12	1,294,136	947,933
Unspent conditional grants and receipts	14	67,689,005	93,674,060
Current portion of borrowings	15	5,393,489	4,733,554
Current portion of finance lease liability	16	90,337	81,727
Non-current liabilities held for sale	10	10,166,232	10,166,232
		73,858,868	74,898,864
Non-current liabilities			
Non-current borrowings	15	51,844,667	51,037,160
Non-current finance lease liability	16	257,334	348,126
Provisions	17	21,756,668	23,313,578
		240,487,155	238,779,396
Total liabilities			
		1,263,113,671	1,190,104,712
Net assets			
NET ASSETS		149,024,280	148,978,379
Reserves		1,114,089,391	1,041,126,333
Accumulated surplus			
Total net assets		1,263,113,671	1,190,104,712

King Sabata Dalindyebo Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2011

	Note	2011 R	2010 R
Revenue	18	122,589,258	117,216,295
Property rates	19	206,938,878	170,794,208
Service charges	20	12,275,577	10,924,103
Rental of facilities and equipment	21	7,072,077	8,538,455
Interest earned - external investments	22	21,961,875	23,382,824
Interest earned - outstanding receivables		1,836,231	1,806,240
Fines		10,140,298	11,321,912
Licences and permits	23	140,445,684	127,257,594
Government grants and subsidies - Operating	23	69,293,870	166,151,117
Government grants and subsidies - Capital	24	8,202,827	7,061,621
Other income			
Total revenue		600,856,373	644,454,369
Expenses	25	198,867,916	180,999,718
Employee related costs	26	18,729,089	15,825,035
Remuneration of councillors		53,076,202	109,266,408
Bad debts		(1,793,387)	8,897,139
Debtors adjustments	27	13,545,831	12,728,985
Depreciation and amortisation expense		33,739,223	9,346,081
Repairs and maintenance	28	5,060,853	5,042,228
Finance costs	29	112,821,948	90,833,453
Bulk purchases	30	5,577,199	3,055,449
Contracted services	31	17,738,320	18,889,836
Grants and subsidies paid	32	70,530,320	72,079,143
General expenses			
Total expenses		527,893,314	526,963,475
Gain on disposal of assets	33	-	254,395
Surplus for the period		72,963,059	117,745,289

King Sabata Dalindyebo Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2011

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
Balance at 30 June 2009	87,385,886	1,140,392	88,526,258	558,838,371	647,361,629
Restatement of Opening balance due to Error (Note 45)	60,150,499		60,150,499	364,545,674	424,696,173
Restated balance 30 June 2009	147,536,385	1,140,392	148,676,767	923,381,045	1,072,067,802
Movement in reserves					
Surplus for the period		301,622	301,622	-	301,622
Balance at 30 June 2010	147,536,385	1,442,014	148,978,379	1,041,126,333	1,190,104,712
Movement in reserves		45,901	45,901		45,901
Surplus for the period				72,963,059	72,963,059
Balance at 30 June 2011	147,536,385	1,487,915	149,024,280	1,114,089,391	1,263,113,671

King Sabata Dalindyebo Municipality
CASH FLOW STATEMENT
as at 30 June 2011

	Notes	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		516,747,397	566,281,901
Cash paid to suppliers and employees		(457,020,158)	(392,763,424)
Cash Generated from operations	35	<u>59,727,240</u>	<u>173,518,478</u>
Interest received		29,033,951	31,921,279
Interest paid		(6,060,653)	(5,042,228)
Net cash flows from operating activities		<u>82,700,537</u>	<u>200,397,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(71,873,804)	(146,249,191)
Proceeds on disposal of property, plant and equipment		3,840	254,395
Decrease in non-current receivables		(8,159,034)	38,458
(Increase)/decrease in call investment deposits		<u>(8,159,034)</u>	<u>(58,266,758)</u>
Net cash flows from investing activities		<u>(76,028,998)</u>	<u>(204,223,096)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Raising/(Repayment) of borrowings		1,467,442	(4,415,398)
(Repayment) of finance lease liability		(82,182)	(94,956)
Increase in consumer deposits		346,203	269,538
Net cash flows from financing activities		<u>1,731,463</u>	<u>(4,240,816)</u>
Net increase / (decrease) in net cash and cash equivalents		5,603,002	(8,068,384)
Net cash and cash equivalents at beginning of period		22,694,982	30,761,346
Net cash and cash equivalents at end of period	35.3	<u>28,297,984</u>	<u>22,694,962</u>

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 21 Impairment of Non-cash generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 25 Employee Benefits - issued November 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009

1.5.1 POSSIBLE IMPACT OF INITIAL APPLICATION OF STANDARDS OF GRAP APPROVED BUT NOT YET EFFECTIVE

GRAP 21: Impairment of current non-cash generating assets principals per GRAP 21 are similar to standards already applied, therefore no major deviation in accounting policy is foreseen.

GRAP 23,25,26,104: The current accounting policies do not deviate substantially from the requirements per the not yet approved GRAP standards, the impact of the adoption of these standards are therefore not considered to be substantial.

GRAP 103: The adoption of this standard will result in the separate classification and valuation of these assets, resulting in a restatement of prior period balances to the earliest prior period presented.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

2 RESERVES

2.1 REVALUATION RESERVE

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

2.2 SELF INSURANCE RESERVE

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

The balance of the Self-Insurance Reserve is fully cash backed and invested.

3 PROPERTY, PLANT AND EQUIPMENT

3.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

3.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

3.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

	Years	Other	Years
Infrastructure	30	Buildings	30
Roads and Paving	30	Specialist vehicles	10
Pedestrian Malls	20-30	Other vehicles	5
Electricity	15-20	Office equipment	7
Water	15-20	Furniture and fittings	10
Sewerage		Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	15
Buildings	30	Other items of plant and equipment	5
Recreational Facilities	20-30	Landfill sites	30
Security	5	Computer equipment	3
Halls	30		
Libraries	30		
Parks and gardens	20-30		
Sport Fields	20-30		
		Finance lease assets	
Heritage assets		Vehicles	5
Buildings	30		
Paintings and artifacts	Infinite		

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

3.6 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

4.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
-------------------	---------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6 INVESTMENT PROPERTY

6.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

6.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

10 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.1 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

14.2 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 EMPLOYEE BENEFITS

16.1 SHORT - TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

16.2 TERMINATION BENEFITS

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

16.3 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

Post Employment Medical Care Benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

17 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		2,200	2,200
Cash at bank		28,295,764	22,692,762
		28,297,964	22,694,962
 The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
Meeg Bank - Mithatha: Account Number 4048218780		9,118,907	3,832,890
Cash book balance at beginning of year		3,832,890	21,862,406
Cash book balance at end of year		9,118,907	3,832,890
Bank statement balance at beginning of year		12,670,608	27,802,138
Bank statement balance at end of year		8,170,184	12,670,608
 <u>Current Account (Other Account)</u>			
Meeg Bank Cash Focus - Mithatha: Account Number 4053806112		21,208	16,439
Meeg Bank Inter government grant - Mithatha: Account Number 408400474		1,981	12,607,319
Meeg Bank Electricity Account - Mithatha Account Number 4061496604		3,394,165	1,877,096
FNB Electricity Income - Mithatha Account Number 62090323636		15,759,494	4,559,018
Cash book balance at beginning of year		19,059,872	8,898,741
Cash book balance at end of year		19,176,857	19,059,872
Bank statement balance at beginning of year		15,608,604	8,561,979
Bank statement balance at end of year		19,176,857	15,608,604
 <u>Cash on hand</u>			
Total cash and cash equivalents		2,200	2,200
		28,297,964	22,694,962

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
<u>Trade receivables</u>			
as at 30 June 2011			
Service debtors	113,475,268	(81,183,339)	32,291,930
Rates	29,078,897	(20,803,845)	8,275,051
Electricity	-	-	-
Water	-	-	-
Sewerage	60,671,516	(43,406,077)	17,265,439
Refuse	51,710,142	(36,994,863)	14,715,279
Housing rental	(4,384,835)	3,137,032	(1,247,803)
Other	250,580,968	(179,251,081)	71,329,887
Total			
as at 30 June 2010			
Service debtors	66,057,453	(57,926,598)	8,130,855
Rates	17,772,484	(11,559,948)	6,212,536
Electricity	-	-	-
Water	-	-	-
Sewerage	52,629,484	(34,232,362)	18,397,122
Refuse	43,162,158	(28,074,427)	15,087,731
Housing rental	(5,605,711)	3,646,183	(1,959,528)
Other	197,015,868	(128,147,153)	68,868,715
Total			
<u>Rates: Ageing</u>		2011 R	2010 R
Current (0 – 30 days)		(1,561,774)	19,175,887
31 - 60 Days		4,747,893	2,643,251
61 - 90 Days		3,565,659	2,853,972
91 - 120 Days		106,723,690	64,384,343
Total		113,475,268	89,057,453
<u>Electricity</u>		10,914,694	14,011,786
Current (0 – 30 days)		10,063,143	2,515,737
31 - 60 Days		1,842,845	211,089
61 - 90 Days		6,238,015	1,033,872
91 - 120 Days		29,078,897	17,772,484
Total			
<u>Water and Sewerage: Ageing</u>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
91 - 120 Days		-	-
Total			
<u>Refuse</u>		2,130,702	11,611,440
Current (0 – 30 days)		1,797,281	1,263,723
31 - 60 Days		1,732,871	1,441,364
61 - 90 Days		55,010,662	38,312,956
91 - 120 Days		60,671,616	52,629,484
Total			

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Housing Rentals

Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
Total

(526,517)	666,342
1,152,420	892,616
1,016,096	886,421
50,068,144	40,716,779
51,710,143	43,162,168

Other

Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
Total

(5,362,927)	(6,604,607)
1,093	146,169
	807,656
976,000	45,070
(4,384,834)	(5,606,711)

Summary of Debtors by Customer Classification

2.1

as at 30 June 2011
Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
Sub-total
Less: Provision for doubtful debts
Total debtors by customer classification

Consumers	Industrial / Commercial	National and Provincial Government
R	R	R
17,157,920	5,916,003	(1,553,866)
13,039,414	3,055,505	1,781,508
5,784,471	1,330,152	1,067,213
176,820,260	22,649,257	3,503,150
212,802,064	32,950,918	4,798,006
(157,981,807)	(16,345,156)	(2,924,327)
54,820,458	14,605,760	1,873,679

as at 30 June 2010
Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
Sub-total
Less: Provision for doubtful debts
Total debtors by customer classification

Consumers	Industrial / Commercial	National and Provincial Government
R	R	R
34,545,092	7,200,011	(2,625,198)
6,512,881	687,715	249,263
4,977,045	1,150,307	39,734
128,243,211	15,685,102	670,705
174,278,229	24,603,135	(1,885,496)
(114,471,812)	(13,115,456)	(559,885)
59,806,417	11,487,679	-2,425,381

2.2 Reconciliation of the doubtful debt provision

Balance at beginning of the year
Contributions to provision
Doubtful debts written off against provision
Reversal of provision
Balance at end of year

2011 R	2010 R
128,147,153	31,861,635
51,103,939	109,266,408
	(12,980,890)
	-
179,251,091	128,147,153

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2009, The ageing of amounts past due but not impaired is as follows:
 1 month past due
 2 months past due
 3 months past due

Trade and other receivables impaired

As of 30 June 2011, trade and other receivables of R 179 251 091 (2010: R 128 147 153) were impaired and provided for.

The ageing of these receivables is as follows:
 3 to 6 months
 Over 6 months

The fair value of trade and other receivables approximates their carrying amounts.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors
 Prepayments
 Total Other Debtors

4 INVENTORIES

Closing balance of Inventories:
 Consumable stores
 Maintenance materials
 Spare parts
 Water
 Township houses

5 CALL INVESTMENT DEPOSITS

Deposits
 Call investments

Investment deposits are ring fenced in separate investment accounts for conditional grants.

6 NON-CURRENT RECEIVABLES

Officials : Housing loans
 Total

HOUSING SELLING SCHEME LOANS

No Housing loans are granted to officials of the municipality anymore. The outstanding amount is recovered from employee salaries

	2011 R	2010 R
	31,533,479	28,180,166
	5,594,378	14,048,389
	17,781,631	7,848,124
	8,157,470	6,282,853
	(179,251,091)	(128,147,153)
	(179,251,091)	(128,147,153)
	7,935,477	7,935,477
	-	2,812,028
	7,935,477	10,747,505
	86,818,957	87,706,517
	125,856	1,535,619
	-	-
	268,759	(53,444)
	(158)	(158)
	86,224,500	86,224,500
	9,404,769	21,544,904
	150,518,557	130,219,387
	159,923,326	151,764,291
	156,541	160,181
	156,541	160,181

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	355,049,563	41,666,593	363,573,208	83,979,170	-	1,223,985	-	856,482,519
Cost/Revaluation	355,049,563	50,313,196	448,852,753	102,125,029	-	10,530,421	-	966,870,962
Accumulated depreciation and impairment losses	-	(8,646,604)	(85,279,544)	(8,145,859)	-	(9,306,436)	-	(111,378,443)
Acquisitions	-	45,807	29,671,478	-	-	1,177,235	-	30,894,520
Capital under Construction	-	-	11,318,513	104,961,889	-	-	-	116,280,202
Depreciation	-	(463,978)	(11,198,340)	(647,596)	-	(355,483)	-	(12,665,378)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
as at 30 June 2010	355,049,563	41,248,421	393,364,859	198,293,263	-	2,045,758	-	990,001,884
Cost/Revaluation	355,049,563	50,359,003	489,842,744	207,086,718	-	11,707,857	-	1,114,045,684
Accumulated depreciation and impairment losses	-	(9,110,582)	(96,477,884)	(8,793,455)	-	(9,661,899)	-	(124,043,821)

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note

5 INTANGIBLE ASSETS

5.1 Reconciliation of carrying value

	Computer Software R
as at 1 July 2010	490,506
Cost	1,350,491
Accumulated amortisation and impairment losses	(859,985)
Acquisitions	23,565
Amortisation	(123,920)
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
as at 30 June 2011	390,151
Cost	1,374,056
Accumulated amortisation and impairment losses	(983,905)

5.1 Reconciliation of carrying value

	Computer Software R
as at 1 July 2009	134,792
Cost	928,338
Accumulated amortisation and impairment losses	(793,546)
Acquisitions	422,153
Amortisation	(66,439)
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
as at 30 June 2010	490,506
Cost	1,350,491
Accumulated amortisation and impairment losses	(859,985)

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note

9 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

9.1 Reconciliation of fair value

	Investment property R	Total R
as at 1 July 2010	58,714,784	58,714,784
Acquisitions	-	-
Fair value adjustment	-	-
Fair value of disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2011	<u>58,714,784</u>	<u>58,714,784</u>

9.2 Reconciliation of fair value

	Investment property R	Total R
as at 1 July 2009	58,714,784	58,714,784
Transfer from PPE	-	-
Fair value adjustment	-	-
Fair value of disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2010	<u>58,714,784</u>	<u>58,714,784</u>

The municipality has the following types of investment properties

- Municipal Land with commercial improvements
The municipality has long term lease agreements of land where improvements are effected by investors for commercial purposes

53,480,784

- Leased business properties
These are properties leased to business owners at market related rentals

5,234,000

These properties were valued for the first time in 2009 at their fair market value.

9.3 Rental income from investment property

Lease of commercial land, residential and business properties

Details of valuation

The effective date of the revaluations was 31 January 2009. Revaluations were performed by an independent valuer, Mr KA Boateng, of Messrs Kanyisa Property Management Services. Kanyisa Property Management Services are not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

2011	2010
8,181,442	7,079,885

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
10 NON-CURRENT ASSETS HELD FOR SALE			
Current Liabilities		10,166,232	10,166,232
		<u>10,166,232</u>	<u>10,166,232</u>
<p>The Water and Sanitation function was transferred to the district municipality in 2003 in terms of s78 of Systems act. The transfer was not effected accurately in the accounting records as it was not possible to confirm balances until this financial year end. Confirmation has now been received from DMWAF on the balance outstanding in their books. KSD has requested the balance to be written off as it should have been transferred when the function was transferred in 2003.</p>			
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		37,743,006	30,365,395
Accruals		14,194,230	(939,255)
Insurance Claims		2,097,936	1,365,402
Other Creditors		27,290	15,673
Unclaimed Group Life Assurance		1,925,534	1,856,232
Payments Received in advance		1,075,999	1,075,999
Prepaid Electricity received in advance		1,814,524	1,797,355
UIF - Councilors		2,190,532	1,896,611
Other Deposits		2,106,498	1,880,933
Unknown deposits		1,917,920	(81,890)
Staff Accrued Leave		17,062,614	15,244,270
Total creditors		<u>81,318,357</u>	<u>54,477,028</u>
<p>The fair value of trade and other payables approximates their carrying amounts.</p>			
12 CONSUMER DEPOSITS			
Electricity		1,294,136	947,933
Total consumer deposits		<u>1,294,136</u>	<u>947,933</u>
<p>No interest accrues on consumer deposits as King Sabata Dalindyebo Municipality is not a deposits-taking organisation in terms of the Banking Act.</p>			
13 VAT RECEIVABLE			
VAT receivable		41,907,638	37,734,784
<p>The municipality is registered for VAT on a payments basis</p>			

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Grants from other spheres of Government

National- Mqanduli Milling Project Grant
National: Department of Housing
National: Financial Management Grant
National: Municipal Infrastructure Grant
National: National Electrification Grant (NER)
National: Department of Energy - Electrification Project
Provincial: Department Of Transport Taxi Rank
Provincial: Disaster Management Grant
Provincial: Intervention grant
Provincial: MTAB Grant
Provincial: Mthatha Stadium
Provincial: Municipal Support Grant (MSP)
Provincial: Municipal Systems Improvement Grant
Provincial: Fire Station Refurbishment
Provincial: Organogram
Provincial: Full Maintenance Lease
Provincial: Urban Renewal Grant
Equitable Share
Performance management Systems
KSD Elections - Road maintenance
Provincial: Nduli Nature reserve
Provincial: I.D.P
Provincial: Uphuhliso lwethu
Provincial: Khuphukani Cluster Project
Provincial: Rural Planning & Survey
Provincial: Light the Pilot
National: Municipal Finance Assistance Grant
National: Grant Admin Development

Total Unspent Conditional Grants and Receipts

See Note 23 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

15 BORROWINGS

Local Registered Stock Loans - PIC Loan
Hire Purchase Agreement
Annuity Loans

Less : Current portion transferred to current liabilities
Local Registered Stock Loans
Hire Purchase Agreement - ABSA
Annuity Loans - DBSA

Total borrowings

Refer to Appendix A for more detail on borrowings.

2011 R	2010 R
(45,831)	843,895
2,509,571	4,380,997
1,495,227	880,454
(7,356,059)	2,869,456
(0)	16,602,036
16,124,232	-
8,308,789	8,308,789
3,611,599	3,654,738
1,008,872	1,008,360
2,509,715	2,509,715
10,935,622	24,142,568
143,584	143,584
47,970	518,011
3,313,824	3,347,683
736,539	736,539
4,200,000	4,200,000
14,713,677	15,292,617
21,527	3,225,234
80,000	-
540,650	-
104,740	101,343
14,108	827,043
994,307	-
1,584,783	-
449,250	-
501,360	-
711,168	-
430,000	-
67,689,066	33,674,060
<hr/>	
43,299,142	47,416,635
347,671	429,853
13,939,014	8,354,079
57,585,827	56,200,567
<hr/>	
5,483,626	4,815,281
4,453,480	4,082,740
90,337	61,727
940,009	650,814
52,102,001	51,365,286
<hr/>	

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

16 FINANCE LEASE LIABILITY

2011

Amounts payable under finance leases

Within one year
Within two to five years

Amount due for settlement within 12 months (current portion)

Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
118,064	27,717	90,337
278,801	18,188	267,334
394,558	48,885	267,334
		90,337
		347,671

The average lease term is 5 years and the average effective borrowing rate is prime less 1,5%. Obligations under finance leases are secured by the lessor's title to the leased asset.

2010

Amounts payable under finance leases

Within one year
Within two to five years

Amount due for settlement within 12 months (current portion)

Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
121,057	39,330	81,727
400,313	52,185	348,128
521,370	91,515	348,128
		81,727
		429,855

The average lease term is 5 years and the average effective borrowing rate is prime less 1,5%. Obligations under finance leases are secured by the lessor's title to the leased asset.

17 PROVISIONS

Provision for landfill rehabilitation

Opening balance

Adjustments to Provision for Landfill rehabilitation

Closing Balance

2011 R	2010 R
23,313,578	23,586,109
(1,568,910)	(251,531)
21,744,668	23,313,578

The obligation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. This process is expected to take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. There are numerous uncertainties about the future costs involved and the above calculation is based on a best estimate from engineers and past cashflows and assumes the landfill site to be completed and rehabilitated in 2019.

18 PROPERTY RATES

Actual

Residential

Commercial

Light Industries

State

Total property rates

Valuations

Residential

Commercial

Agricultural

State

Exempted properties

Municipal

PSI

Open spaces

Places of Public Worship

Public Benefit Organisations

Vacant Land

Schools

Total Property Valuations

35,544,084	39,948,894
37,381,524	32,949,750
207,114	2,439,182
48,458,536	41,878,490
122,589,258	117,216,295
3,781,514,000	3,781,514,000
2,507,672,000	2,507,672,000
6,203,000	6,203,000
814,928,000	814,928,000
2,554,000	2,554,000
342,288,500	342,288,500
3,285,500	3,285,500
2,894,500	2,594,500
51,918,000	51,918,000
8,883,000	6,883,000
159,128,500	159,128,500
405,368,000	405,368,000
8,084,283,000	8,084,283,000

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

A general rate of 0.65 c/R, 1.69 c/R, 2.33 c/R; 0.85 c/R and 1.69 c/R is applied during 2010/2011 to property valuations to determine assessment rates for domestic, commercial, state, agricultural and public service infrastructure respectively. The general rate of 0.80 c/R, 1.60 c/R, 2.20 c/R; 0.80 c/R and 1.60 c/R was applied during 2009/2010.

Rates are levied on an annual basis with the final date of payment being 30 November 2010 for state and other commercial ratepayers and residential customers are levied on a monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates.

19 SERVICE CHARGES

Sale of electricity
Refuse removal
Total Service Charges

2011 R	2010 R
196,863,400	153,871,828
20,076,478	16,922,379
206,939,878	170,794,208

20 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities
Rental of equipment
Rentals - lease on land
Rentals of office space
Rental of houses
Total rentals

402,048	392,897
842,398	801,098
799,059	286,278
2,646,689	2,550,122
7,389,384	8,783,809
12,979,577	10,824,103

21 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank
Total Interest

7,072,077	8,538,455
7,072,077	8,538,455

22 INTEREST EARNED - OUTSTANDING RECEIVABLES

Outstanding Debtors
Total Interest

21,961,375	23,382,824
21,961,375	23,382,824

23 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED AND SPENT

Capital Grants
National- Mganduli Milling Project Grant
National: Department of Housing and Local Government Grant
National: Municipal Infrastructure Grant
National: National Electrification Grant (NER)
National: NDPG
Provincial: Department Of Transport Taxi Rank
Provincial: MTAB Grant
Provincial: Mthatha Stadium
Provincial: Full Maintenance Lease

68,293,670	166,151,117
-	-
37,459,824	29,705,368
-	-
18,626,680	19,098,010
-	-
-	-
13,206,066	117,347,739
-	-
-	-

Operational Grants
Provincial: General Valuation
Provincial: Disaster Management Grant
Provincial: Municipal Support Grant (MSP)
Provincial: Municipal Systems Improvement Grant
Provincial: Fire Station Refurbishment
National: Equitable share

140,446,684	127,257,594
43,137	320,414
-	412,038
1,220,041	1,456,536
37,995	22,628
127,857,857	100,940,104

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

National: Financial Management Grant	585,228	929,526
Provincial: Capacity Building	-	1,480,579
National: MIG Operating expenditure	-	3,720,214
Grant Income - Nduli Nature Reserve	246,489	351,056
Grant - Rehabilitation	-	382,957
Grant - YAC Point Umsobomvu	-	330,897
Grant Income - HIV & Aids	-	(14,837)
Grant Income - Municipal Community Partnership	-	384,892
Grant Income - Light the pilot media	122,868	375,774
Grant Income - Khuphukani cluster project	155,237	-
Grant Income - NER	-	1,038,052
MSIG Stadium grant	-	(735,000)
Grant Income - Finance Management Assistance	788,832	-
Grant Income - Mqanduli Milling Project Grant	889,728	-
Grant Income - Uphuhiso Iwehu	5,893	-
Grant Income - KSD Elections - Road maintenance	1,459,350	-
Grant Income - Rural Planning & Survey	387,500	-
Organogram Development	-	263,481
DEDEA Cleaning project	-	924,399
IDP Grant Fund	812,934	-
Implementation Capacity to URP	-	824,310
Institutionalisation of Sustainable KSD Master Plan	-	2,025,000
Primary Health Subsidy - Department of Health	5,853,000	11,716,795
Total Government Grant and Subsidies	209,738,384	283,408,711

RECONCILIATION OF GOVERNMENT GRANTS
CONDITIONAL GRANTS - CAPITAL

23.1 National- Mqanduli Milling Project Grant	2011	2010
Balance unspent at beginning of year	R	R
Current year receipts	843,895	843,895
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	(889,726)	-
	(45,831)	843,895

23.2 National: Department of Housing and Local Government Grant	2011	2010
Balance unspent at beginning of year	R	R
Current year receipts	4,380,997	3,322,050
Conditions met - transferred to revenue	-	28,483,083
Conditions still to be met - remain liabilities (see note 14)	(1,871,302)	(27,424,118)
	2,509,695	4,380,997

23.3 National: Municipal Infrastructure Grant	2011	2010
Balance unspent at beginning of year	R	R
Current year receipts	2,969,456	2,604,096
Conditions met - transferred to revenue	20,417,000	31,426,383
Conditions still to be met - remain liabilities (see note 14)	(30,742,515)	(31,061,023)
	(7,356,059)	2,969,456

23.4 National: National Energy Regulator (NER)	2011	2010
Balance unspent at beginning of year	R	R
Current year receipts	16,602,036	1,838,784
Conditions met - transferred to revenue	-	16,000,000
Conditions still to be met - remain liabilities (see note 14)	(16,602,036)	(1,036,748)
	(0)	16,602,036

23.5 National: National of Energy - Electrification Project	2011	2010
Balance unspent at beginning of year	R	R
Current year receipts	-	-
Conditions met - transferred to revenue	23,584,368	-
Conditions still to be met - remain liabilities (see note 14)	(7,460,136)	-
	16,124,232	-

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
23.6 Provincial: Urban Renewal Grant		
Balance unspent at beginning of year	15,292,617	13,881,659
Current year receipts	18,048,000	23,450,000
Conditions met - transferred to revenue	(18,626,940)	(22,039,042)
Conditions still to be met - remain liabilities (see note 14)	<u>14,713,677</u>	<u>15,292,617</u>
23.7 Provincial: Department Of Transport Taxi Rank		
Balance unspent at beginning of year	8,308,789	8,308,789
Current year receipts	-	-
Conditions met - transferred to revenue	<u>8,308,789</u>	<u>8,308,789</u>
Conditions still to be met - remain liabilities (see note 14)		
23.8 Provincial: MTAB Grant		
Balance unspent at beginning of year	2,509,715	3,296,443
Current year receipts	-	50,930
Conditions met - transferred to revenue	-	(837,857)
Conditions still to be met - remain liabilities (see note 14)	<u>2,509,715</u>	<u>2,509,715</u>
23.9 Provincial: Nthatha Stadium		
Balance unspent at beginning of year	24,142,588	21,281,583
Current year receipts	-	120,000,000
Conditions met - transferred to revenue	(13,206,986)	(117,138,994)
Conditions still to be met - remain liabilities (see note 14)	<u>10,935,602</u>	<u>24,142,588</u>
23.10 Provincial: Full Maintenance Lease		
Balance unspent at beginning of year	4,200,000	4,200,000
Current year receipts	-	-
Conditions met - transferred to revenue	<u>4,200,000</u>	<u>4,200,000</u>
Conditions still to be met - remain liabilities (see note 14)		
23.11 Provincial: Disaster Management Grant		
Balance unspent at beginning of year	3,654,736	3,882,650
Current year receipts	-	112,500
Conditions met - transferred to revenue	(43,137)	-320,414
Conditions still to be met - remain liabilities (see note 14)	<u>3,611,599</u>	<u>3,654,736</u>
23.12 Provincial: Intervention grant		
Balance unspent at beginning of year	1,009,360	1,010,048
Current year receipts	(688)	(686)
Conditions met - transferred to revenue	<u>1,008,672</u>	<u>1,009,360</u>
Conditions still to be met - remain liabilities (see note 14)		
23.13 Provincial: Municipal Support Grant (MSP)		
Balance unspent at beginning of year	143,584	555,822
Current year receipts	-	-
Conditions met - transferred to revenue	-	(412,038)
Conditions still to be met - remain liabilities (see note 14)	<u>143,584</u>	<u>143,584</u>
23.14 Provincial: Municipal Systems Improvement Grant		
Balance unspent at beginning of year	518,011	713,306
Current year receipts	750,000	-
Conditions met - transferred to revenue	(1,220,041)	(195,296)
Conditions still to be met - remain liabilities (see note 14)	<u>47,970</u>	<u>518,011</u>

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
23.15 Provincial: Fire Station Refurbishment		
Balance unspent at beginning of year	3,347,663	3,347,663
Current year receipts	(33,839)	-
Conditions met - transferred to revenue	<u>3,313,824</u>	<u>3,347,663</u>
Conditions still to be met - remain liabilities (see note 14)		
23.16 Provincial: Staff Establishment		
Balance unspent at beginning of year	736,539	736,539
Current year receipts	-	-
Conditions met - transferred to revenue	<u>736,539</u>	<u>736,539</u>
Conditions still to be met - remain liabilities (see note 14)		
23.17 National: Equitable share		
Balance unspent at beginning of year	-	-
Current year receipts	127,857,857	100,940,104
Conditions met - transferred to revenue	<u>(127,857,857)</u>	<u>(100,940,104)</u>
Conditions still to be met - remain liabilities (see note 14)		
23.18 National: Financial Management Grant		
Balance unspent at beginning of year	860,454	549,590
Current year receipts	1,200,000	1,250,000
Conditions met - transferred to revenue	<u>(565,228)</u>	<u>(939,138)</u>
Conditions still to be met - remain liabilities (see note 14)	<u>1,495,227</u>	<u>860,454</u>
23.19 Provincial: Performance Management Systems		
Balance unspent at beginning of year	-	-
Current year receipts	80,000	-
Conditions met - transferred to revenue	<u>80,000</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14)		
23.20 Provincial: KSD Elections - Road Maintenance		
Balance unspent at beginning of year	-	-
Current year receipts	2,000,000	-
Conditions met - transferred to revenue	<u>(1,459,350)</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14)	<u>540,650</u>	<u>-</u>
23.21 Provincial: Nduli Nature Reserve		
Balance unspent at beginning of year	101,343	101,343
Current year receipts	3,397	-
Conditions met - transferred to revenue	<u>104,740</u>	<u>101,343</u>
Conditions still to be met - remain liabilities (see note 14)		
23.22 Provincial: Integrated Development Plan		
Balance unspent at beginning of year	827,043	827,043
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(812,934)</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14)	<u>14,109</u>	<u>827,043</u>
23.23 Provincial: Uphuhlelo lwethu		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	<u>(5,693)</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14)	<u>994,307</u>	<u>-</u>
23.24 Provincial: Khuphukani Cluster Project		
Balance unspent at beginning of year	-	-
Current year receipts	1,740,000	-
Conditions met - transferred to revenue	<u>(155,237)</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14)	<u>1,584,763</u>	<u>-</u>

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
23.25 Provincial: Rural Planning and Survey		
Balance unspent at beginning of year	-	-
Current year receipts	1,266,750	-
Conditions met - transferred to revenue	(817,500)	-
Conditions still to be met - remain liabilities (see note 14)	<u>449,250</u>	<u>-</u>
23.26 Provincial: Light the Pilot		
Balance unspent at beginning of year	-	-
Current year receipts	824,226	-
Conditions met - transferred to revenue	(122,666)	-
Conditions still to be met - remain liabilities (see note 14)	<u>691,360</u>	<u>-</u>
23.27 National : Municipal Finance Assistance Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	-
Conditions met - transferred to revenue	(768,832)	-
Conditions still to be met - remain liabilities (see note 14)	<u>711,168</u>	<u>-</u>
23.28 National: Administration Development		
Balance unspent at beginning of year	-	-
Current year receipts	430,000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	<u>430,000</u>	<u>-</u>
24 OTHER INCOME		
Sundry Fees	472,642	462,312
Fire Brigade Fees	2,491,426	2,395,624
Vehicle examination - Road worthy Fees	1,794,768	1,389,570
Building plan approvals	986,533	590,011
Disconnection: Illegal connections	243,449	221,712
Call out revenue	13,732	50,848
New connections for electricity	332,322	260,485
Sundry revenue	178,839	709,648
Tender fees	171,000	220,700
Meter testing	749,302	712,425
Pound Fees	24,211	28,285
Insurance claims	744,484	20,000
Total Other Income	<u>8,202,827</u>	<u>7,061,621</u>
25 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	117,443,883	106,482,502
Employee related costs - Contributions for UIF, pensions and medical aids	39,074,903	35,971,529
Travel, motor car, accommodation, subsistence and other allowances	15,984,414	15,008,535
Housing benefits and allowances	12,212,442	11,499,913
Overtime payments	6,594,289	6,472,665
Performance and other bonuses	31,867	30,006
Long-service awards	2,801,584	2,385,151
Workmens Compensation	2,648,381	1,640,601
Skills development levy	2,079,033	1,550,814
Total Employee Related Costs	<u>198,867,916</u>	<u>180,999,716</u>

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Remuneration of the Municipal Manager

Remuneration of the Chief Finance Officer

Remuneration of Individual Directors (Appointed in August 2009)

201120102040

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

26 REMUNERATION OF COUNCILLORS

Executive Mayor
Speaker
Executive Committee Members
Councillors
Total Councillors' Remuneration

2011 R	2010 R
811,487	823,811
510,085	449,312
2,047,453	3,798,505
15,580,085	10,953,407
18,729,089	15,825,035

In-kind Benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has two full-time bodyguards.

27 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment
Intangible assets
Total Depreciation and Amortisation

2011 R	2010 R
13,421,911	12,728,985
123,920	-
13,545,831	12,728,985

28 FINANCE COSTS

Borrowings
Overdue accounts
Total Finance Costs

4,774,723	5,037,470
285,930	4,759
5,060,653	5,042,229

29 BULK PURCHASES

Electricity
Total Bulk Purchases

112,821,948	90,833,453
112,821,948	90,833,453

30 CONTRACTED SERVICES

Security Services

5,577,189	3,055,448
5,577,189	3,055,448

31 GRANTS AND SUBSIDIES PAID

Grant Expenditure - Disaster Management Grant
Grant Expenditure - Financial Management Grant
Grant Expenditure - Municipal Support Programme
Grant Expenditure - Indigent Data Base Setup
Grant Expenditure - Capacity Building
Grant Expenditure - Staff Establishment
Grant Expenditure - Municipal Community Partnership
Grant Expenditure - Nduli Nature Reserve
Grant Expenditure - H.I.V
Grant Expenditure - DEDEA Cleaning project
Grant Expenditure - URP
Grant Expenditure - IDP Grant Fund
Grant Expenditure - RDP Housing
Grant Expenditure - Other
Grant Expenditure - KSD Mandla Mn
Grant Expenditure - Municipal Community
Grant Expenditure - Nduli Nature Reserve
Grant Expenditure - DEDEA -Light the pilot media

42,912	325,413
565,228	940,727
-	412,038
-	335
-	1,490,579
-	283,482
(34,183)	-
(13,449)	-
-	45,180
135,225	303,724
(26,306)	854,448
790,374	272,957
-	-
(35,196)	248,810
1,146,379	930,296
30,845	425,117
79,319	365,935
95,916	375,774

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Grant Expenditure - DEDEA - Khuphukani cluster p	144,183	-
Grant Expenditure - Mganduli Milling Project	684,292	(6,420)
Grant Expenditure - Uphuhiso lwethu	5,052	-
Grant Expenditure - Municipal Finance Assistance	788,832	-
Grant Expenditure - Rural Planning & Survey	387,500	-
Public Expense - Elderly, Children, Disabled, Gender Equality, Youth, Sport	582,634	1,804,935
KSD Contribution - Grant	-	117,331
KSD Contribution - Ward Based Budgeting	3,089,036	3,308,047
KSD Contribution - Traditional Leaders	1,726,011	283,134
Council Ward Committee Meeting Incentive	1,480,248	938,297
Community Participation	2,598,955	1,065,794
Indigent Subsidy	2,301,366	3,792,380
Free Basic Electricity	975,467	685,174
Study Bursaries	(1,640)	70,590
	17,738,320	18,889,836

32 GENERAL EXPENSES

Included in general expenses are the following:-

	2011 R	2010 R
Advertising	80,177	33,927
Audit fees	4,866,253	5,014,295
Bank charges	973,154	1,001,361
Base Camp campaign	-	1,212,337
Cleaning	972,410	2,141,786
Community development	845,186	1,250,324
Conferences and delegations	948,801	1,031,754
Consulting fees	4,928,382	3,126,259
Plastic Bags	947,724	1,372,680
Discount Allowed	690,304	571,441
Entertainment	623,837	204,485
Fuel and oil	1,284,562	1,137,187
Gas and Oxygen	31,156	22,173
Insurance	3,208,810	2,985,341
Legal expenses	9,826,080	9,859,529
Levies paid - SALGA	1,068,513	951,635
Leave Pay accrual	3,415,479	4,082,042
Licence fees	86,125	90,042
Other Expenses	5,156,144	2,447,116
Printing and stationery	1,920,238	1,568,708
Promotions and Sponsorship	277,486	856,539
Prodiba licence card fees	865,036	2,329,615
Recruitment Expenses	869,030	187,489
Rehabilitation of Site	(1,558,910)	(251,531)
Rental of buildings	439,270	368,642
Rental of office equipment	6,192,797	1,970,721
Rental of Vehicles	8,427,311	4,397,826
Municipal Service charges	1,742,407	11,879,970
Stocks and material	941,841	807,851
Software Expenses	-	34,279
Staff Welfare	117,639	148,328
Subscription & publication	1,783	17,255
Telephone cost	4,399,247	6,501,837
Training	993,859	798,145
Travel and subsistence	799,025	1,164,952
Uniforms & overalls	811,279	831,317
Vehicle Registration Fees	129,851	131,851
Valuation costs	3,415,325	201,056
	70,530,320	72,079,143

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

33 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment
Total Gain / (Loss) on Sale of Assets

2011 R	2010 R
-	(254,395)
-	(254,395)

34 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

Investment property carried at fair value
Total Profit / (Loss) on Fair Value Adjustment

2011 R	2010 R
-	-
-	-

35 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year
Adjustment for:-
Depreciation and amortisation
(Gain) / loss on sale of assets
Finance costs
Interest earned
Debtors adjustments
Bad Debts
Operating surplus before working capital changes:
(Increase)/decrease in inventories
(Increase)/decrease in trade receivables
(Increase)/decrease in other receivables
(Increase)/decrease in VAT receivable
Increase/(decrease) in Unspent conditional grants and receipts
Increase/(decrease) in trade payables
(Decrease)/ increase in provisions
Cash generated by/(utilised in) operations

2011 R	2010 R
72,963,059	117,745,268
13,545,831	12,728,985
-	(254,395)
5,060,653	5,042,228
(28,033,951)	(31,921,279)
(1,793,387)	8,897,139
53,076,202	109,266,408
113,818,408	221,504,375
1,087,560	808,724
(53,713,995)	(24,817,597)
2,812,026	(4,530,083)
(4,173,054)	(17,103,508)
(25,985,055)	18,118,750
27,438,282	(20,410,852)
(1,556,910)	(251,531)
59,727,240	173,518,478

35.1 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT

Total Revenue
Adjusted for non-cash items
Adjusted for items presented separately
- Interest received on investments
- Interest received other
Adjusted for changes in working capital
- (Increase) / decrease in consumer debtors
- (Increase) / decrease in other debtors
- (Increase) / decrease in VAT receivable

2011 R	2010 R
800,856,373	844,454,389
-	-
(7,072,077)	(8,538,455)
(21,961,875)	(23,382,824)
-	-
(53,713,995)	(24,817,597)
2,812,026	(4,530,083)
(4,173,054)	(17,103,508)
516,747,397	566,261,901

35.2 CASH PAID TO SUPPLIERS AND EMPLOYEES

Total expenditure
Adjusted for non-cash items
- Depreciation
- Bad debts
- Debtors adjustments
Adjusted for items presented separately
- Interest paid
Adjusted for changes in working capital
- (Increase) / decrease in creditors
- (Increase) / decrease in unspent conditional grants
- (Increase) / decrease in provisions
- Increase / (decrease) in inventory

2011 R	2010 R
(527,893,314)	(526,963,475)
13,545,831	12,728,985
53,076,202	109,266,408
(1,793,387)	8,897,139
-	-
5,060,653	5,042,228
-	-
27,438,282	(20,410,852)
(25,985,055)	18,118,750
(1,556,910)	(251,531)
1,087,560	808,724
(457,020,158)	(392,763,424)

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

35.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash
Net cash and cash equivalents (net of bank overdrafts)

2011 R	2010 R
28,297,964	22,694,962
28,297,964	22,694,962

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL
36 EXPENDITURE DISALLOWED**

36.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance
Unauthorised expenditure current year
Approved by Council or condoned
Transfer to receivables for recovery
Unauthorised expenditure awaiting authorisation

1,477,478	1,477,478
-	-
1,477,478	1,477,478

Unauthorised expenditure in 2010 related to expenditure incurred in excess of the budgeted amount. This amount has not been approved by Council in 2011.

36.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -
Fruitless and wasteful expenditure current year
Condoned or written off by Council
Fruitless and wasteful expenditure awaiting condonement

760,025	571,274
471,117	188,752
1,231,142	760,025

The opening balance and prior year movement of Fruitless and wasteful expenditure have been stated to account for interest and penalties incurred on UIF for Councillors not yet paid.

36.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance
Irregular expenditure current year
Condoned or written off by Council
Transfer to receivables for recovery – not condoned
Irregular expenditure awaiting condonement

51,313,009	2,482,746
3,965,082	51,313,009
-	(2,482,746)
55,298,091	51,313,009

The irregular expenditure relates to procurement of goods and services that were not in terms of the municipality's policies and procedures amounting to R1 915 734 and an overpayment of Councillors' Remuneration amounting to R2 069 347.48

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
37 MANAGEMENT ACT**

37.1 Contributions to organised local government

Opening balance
Council subscriptions
Amount paid - current
Amount paid - previous years
Balance unpaid (included in payables)

2011 R	2010 R
-	-
1,175,010	1,035,031
(1,175,010)	(1,035,031)
-	-
-	-

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

37.2 Audit fees

Opening balance
Current year audit fee
Amount paid - current year
Amount paid - previous years
Balance unpaid (included in payables)

2011 R	2010 R
4,000,253	5,014,295
(4,000,253)	(5,014,295)
-	-

37.3 PAYE and UIF

Opening balance
Current year payroll deductions
Amount paid - current year
Amount paid - previous years
Balance unpaid (included in payables)

20,981,071	21,900,388
(20,981,071)	(21,900,388)
-	-

37.4 Pension and Medical Aid Deductions

Opening balance
Current year payroll deductions and Council Contributions
Amount paid - current year
Amount paid - previous years
Balance unpaid (included in payables)

52,928,008	48,323,175
(52,928,008)	(48,323,175)
-	-

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

37.5 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2011			
Previous Council			
Councillor Ngcobo F.R.S	60,550	9,761	50,789
Councillor Mvusi O.G.	1,488	1,068	420
Councillor Mlandu S.N	18,562	13,889	2,683
Councillor Dawuza S.S	2,611	1,966	645
Councillor Mzimane N	7,819	678	6,941
Councillor Soldati F.N	22,950	1,533	21,417
Councillor Dawuza S.S	1,879	1,491	489
Councillor Pierce Neil A/ Beryl	11,417	2,136	9,281
Councillor Nohwandle Alica Kwetana	2,619	(553)	3,372
Councillor Ngqongwa Nonkoliso	12,196	281	11,915
Councillor Lumkwana A.L.	16,435	2,317	14,118
Councillor Sangovana E.M	3,897	79	3,818
Councillor Gwadiiso J.P	17,193	1,663	15,510
Councillor Mlamli S.	8,996	148	6,847
Councillor Mantanga P.N	2,479	59	2,421
Newly Appointed Council - 6 June 2011			
Councillor Mzimane N	7,618	678	6,941
Councillor Dondashe W.M	50,876	3,522	47,354
Councillor Kwetana N.A	2,619	(553)	3,372
Councillor Ngqongwa N	12,196	281	11,915
Councillor Nelani G.N	50,789	2,902	47,887
Councillor Gwadiiso V.O	12,827	288	12,538
Councillor Knock R	17,060	10,414	6,646
Councillor Nduku L.S	11,270	231	11,039
Councillor Siyakholwa M.	8,996	148	6,847
Councillor Mtwa F.N	11,815	530	11,385
Councillor Mirara M.T	6,181	1,785	4,396
Total Councillor Arrear Consumer Accounts	377,738	56,572	321,166
as at 30 June 2010			
Councillor Ngcobo F.R.S.	23,647	8,522	15,125
Councillor Mvusi OG	627	627	-
Councillor Mashiyi TB	1,415	1,415	-
Councillor Sobahle N	795	795	-
Councillor Dawuza SS	522	522	-
Councillor Mzimane	12,359	1,137	11,222
Councillor Soldati F.N.	31,540	1,810	29,730
Councillor Pierce	13,704	1,956	11,748
Councillor Ngqongwa	8,369	218	8,151
Councillor Lumkwana A.L.	12,340	5,151	7,189
Councillor Gwadiiso J.P.	10,622	2,131	8,491
Councillor Mlamli S	5,326	136	5,192
Total Councillor Arrear Consumer Accounts	121,268	24,420	96,848

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

38 CAPITAL COMMITMENTS

38.1 Commitments in respect of capital expenditure

- Approved and contracted for
- Infrastructure
- Community
- Approved but not yet contracted for
- Infrastructure
- Community
- Other

Total

This expenditure will be financed from:

- Government Grants
- Borrowing
- Own resources

2011 R	2010 R
107,302,800	74,090,608
107,302,800	18,606,925
	55,483,683
40,022,960	136,741,071
40,022,960	114,745,750
	19,716,348
	2,296,964
147,325,760	210,661,679
113,039,820	163,569,953
34,285,940	40,000,000
	7,262,070
147,325,760	210,862,023

39 RETIREMENT BENEFIT INFORMATION

39.1 Defined contribution plans

The municipality only contributes to provides 2 types of Post Retirement benefits to its employees. These being in the case of retired employees for which a contribution is still made to their medical aid funds as well as Life insurance policies. In terms of the principles from IAS 19 these contributions are seen as contributions to a Defined Contribution Plan.

Contributions paid during the year

Defined Contribution plan - Medical Aid Contributions

Defined Contribution plan - Life Insurance

2011 R	2010 R
494,153	314,540
51,504	56,783
545,657	371,323

40 CONTINGENT LIABILITY

The Council envisage the following potential liabilities in the form of various litigation and arbitration cases:

- Court cases - Claims against Municipality:

2011 R	2010 R
8,180,000	6,614,000
8,180,000	8,614,000

The municipality is currently defending all these cases

Some of the cases are in their final stages and rulings may be made in the next few months

At this stage the probability of being liable for these claims is remote, pending the outcome of the court rulings.

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

41 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

The Chief Financial Officer resigned in April 2011. The Eastern Cape Provincial Treasury seconded a chartered accountant to be the Interim Chief Financial Officer in late April 2011.

42 RELATED PARTIES

Members of key management
Close family members of key management
Compensation to councillors and other key management (refer to note 24)

Related party balances

Loan accounts - Owing (to) by related parties
There are currently no loans made to related parties

Amounts included in Trade receivable (Trade payable) regarding related parties
Refer to note 38 on councillor's arrears consumer accounts

Related party transactions

There were no related party transactions identified in the current year under review

43 EVENTS AFTER THE REPORTING DATE

No events have been identified after the reporting date which could have a material impact on the Annual Financial Statements.

44 RISK MANAGEMENT

44.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

	-	10,000,000
MeegBank - Call deposit	71,299,898	88,888,715
Trade and other receivables		

These balances represent the maximum exposure to credit risk.

In the 2009/9 financial year, the municipality was exposed to a guarantee for the overdraft facilities of R14,5 million issued in favour of the Meeg Bank. The Munitata Building was ceded to the bank as security for the overdraft facility.

The overdraft facility was not renewed in the 2009/10 financial year. ABSA bank was requested to cancel the cession of the building as security for the overdraft facility

Trade receivables comprise a widespread customer base. The highest risk lies with outstanding accounts for households

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

44.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	One month and not later than three months	Later than three months and not later than one year
2011		
Gross finance lease obligations	29,514	88,540
Borrowings	210,061	5,183,428
Trade and other payables	51,937,241	26,202,990
Unearned finance charges	275,047	4,493,504
	Later than one year and not later than five years	Later than five years
2011		
Gross finance lease obligations	278,501	-
Borrowings	31,997,453	17,355,083
Trade and other payables	-	-
Unearned finance charges	12,995,122	2,137,026
	One month and not later than three months	Later than three months and not later than one year
2010		
Gross finance lease obligations	19,591	29,572
Borrowings	181,592	580,227
Trade and other payables	1,078,244	31,574,538
Unearned finance charges	275,047	4,493,504
	Later than one year and not later than five years	Later than five years
2010		
Gross finance lease obligations	346,128	-
Borrowings	31,997,455	17,355,083
Trade and other payables	-	-
Unearned finance charges	12,995,122	2,137,026

44.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- PIC Loan
- Development Bank of South Africa loan
- Meeg/ABSA lease

2011 R	2010 R
150,519,557	130,219,387
9,404,789	21,544,904
43,299,142	47,416,635
13,939,014	8,354,079
347,871	429,853

44.4 Other price risk

The municipality is subject to changes in electricity prices.

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

45 PRIOR PERIOD ERRORS

The following account balances and classes of transactions have been restated due to errors identified within the 2010 annual financial statement figures reported previously. Explanatory notes have been provided regarding the nature and effect of the errors corrected.

	NOTE	Previously reported DT/(CT)	Adjustment	Restated DT/(CT)
Statement of Financial Position:				
Cash and cash equivalents	45.1	22,259,965	434,997	22,694,962
Trade and other receivables from exchange transactions	45.2	165,154,233	(96,285,517)	68,868,715
Other receivables from non-exchange transactions	45.3	8,971,529	1,775,974	10,747,503
Inventories	45.4	31,256,841	56,449,676	87,706,517
Call Investment Deposits	45.5	151,314,489	449,802	151,764,291
VAT receivable	45.6	35,351,536	2,383,248	37,734,784
Property, plant and equipment	45.7	638,607,106	351,394,758	990,001,864
Intangible assets		568,875	(78,370)	490,506
Investment property carried at fair value		31,783,013	26,931,771	58,714,784
Trade and other payables from exchange transactions	45.10	(42,356,979)	(12,120,046)	(54,477,025)
Unspent conditional grants and receipts	45.11	(106,031,871)	12,357,810	(93,674,060)
Non-current borrowings	45.12	(51,077,815)	40,654	(51,037,160)
Provisions	45.13	-	(23,313,578)	(23,313,578)
Statement of Financial Performance				
Service charges	45.14	(170,480,353)	(313,855)	(170,794,208)
Interest earned - external investments	45.15	(2,366,648)	(6,171,808)	(8,538,455)
Licences and permits	45.16	(11,913,647)	591,736	(11,321,912)
Government grants and subsidies - Operating	45.17	(122,175,595)	(5,081,999)	(127,257,594)
Government grants and subsidies - Capital	45.18	(167,355,870)	1,204,754	(166,151,117)
Other income	45.19	(5,855,817)	(1,206,004)	(7,061,821)
Employee related costs	45.20	180,635,962	363,756	180,999,718
Bad debts	45.2	12,980,890	96,285,518	109,266,408
Depreciation and amortisation expense	45.21	15,286,844	(2,557,859)	12,728,985
Repairs and maintenance	45.22	8,421,985	924,096	9,346,081
Finance costs	45.23	5,087,624	(45,396)	5,042,228
Bulk purchases	45.24	72,031,115	18,802,338	90,833,453
Contracted services	45.25	2,860,055	195,393	3,055,449
Grants and subsidies paid	45.26	18,727,246	182,590	18,889,836
General expenses	45.27	70,957,411	1,121,732	72,079,143
NET ASSETS	45.4	(87,385,866)	(80,150,499)	(147,536,365)
Revaluation Reserve	45.28	(558,835,371)	(364,545,674)	(923,381,045)
Accumulated Surplus - Refer to Statements of Changes in Net Assets				

The following notes provide an explanation as to the nature of the errors identified as well as the effect on the account balance/class of transaction.

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	R DT/(CT)
45.1 Cash and cash equivalents	
Correction of the bank balances due to correction of unreconciled items	577,618
Effect due to the correction of creditors balances	(122,743)
Mis-allocation of item relating to Call Investment deposits	1,156
Unspent Conditional Grant correction due to amount not cleared	(21,034)
	<u>434,997</u>
45.2 Trade and other receivables from exchange transactions	
Correction of Provision for bad debts	(96,285,517)
	<u>(96,285,517)</u>
45.3 Other receivables from non-exchange transactions	
Correction of prepayments made for Insurance	2,812,026
Correction of amount paid not raised as WIP in 2010	(1,036,052)
	<u>1,775,974</u>
45.4 Inventories	
Effect due to the correction of creditors balances - Cut off errors	266,615
Correction of Stores balances at year end, due to cut-off errors	(3,967,438)
Correction of balances for Properties held as Inventory / Affected to Non - distributable Reserves	60,150,500
	<u>56,449,676</u>
45.5 Call Investment Deposits	
Correction of Financial instrument balance due to cut-off errors	449,802
	<u>449,802</u>
45.6 VAT receivable	
Correction of VAT due to creditors cut-off errors	887,766
Correction of VAT due to Stores correction	(49,738)
VAT correction due to VAT not claimed on certain invoices	1,545,220
	<u>2,383,249</u>
45.7 Property, plant and equipment	
Correction of Carrying Values of Property Plant and equipment & additional assets identified	349,136,305
Correction of VAT due to input VAT not claimed	(247,459)
Correction of VAT due to creditors cut-off errors	1,469,860
Correction of WIP figure not raised previously	1,036,052
	<u>351,394,758</u>
45.8 Intangible assets	
Correction of opening balance of Intangibles due to opening balance differences	(78,370)
	<u>(78,370)</u>
45.9 Investment property carried at fair value	
Correction of Investment property Carrying value against opening accumulated surplus due to incomplete investment property register	26,931,771
	<u>26,931,771</u>

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	R DT/(CT)
45.10 Trade and other payables from exchange transactions	
Correction of VAT due to VAT on assets	1,469,860
Correction of State cheques reversed against opening balance	4,458,983
Correction of VAT not claimed	(10,639,948)
Correction of Cut-off errors relating to Stores	(571,600)
Correction of Unspent Grant Misallocation to Creditors	(6,714,600)
Effect of Correction of Bank on Creditors	(122,743)
	<u>(12,120,046)</u>
45.11 Unspent conditional grants and receipts	
Correction of Unspent Grant Misallocation to Creditors	6,714,600
Correction of Grant allocations made due to amounts incorrectly recognised	5,643,211
	<u>12,357,811</u>
45.12 Non-current borrowings	
Correction of Long term Liabilities due to interest miscalculation	40,654
	<u>40,654</u>
45.13 Provisions	
Correction of Provision due to estimate adjustment	(23,313,578)
	<u>(23,313,578)</u>
45.14 Service charges	
Reversal of Creditors incorrectly raised at year end	(2,111,210)
Reversal of amounts relating to prior period	1,797,355
	<u>(313,855)</u>
45.15 Interest earned - external investments	
Correction of Unspent Grant allocations -2010	(6,149,030)
Correction of Call investment deposit amount	(22,778)
	<u>(6,171,808)</u>
45.16 Licenses and permits	
Correction of unreconciled amounts in 2010	591,736
	<u>591,736</u>
45.17 Government grants and subsidies - Operating	
Correction of Unspent Grant allocations -2010	(5,081,999)
	<u>(5,081,999)</u>
45.18 Government grants and subsidies - Capital	
Correction of Unspent Grant allocations -2010	1,204,754
	<u>1,204,754</u>
45.19 Other Income	
Correction of unreconciled amounts in 2010	(1,206,004)
	<u>(1,206,004)</u>

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	R DT/(CT)
45.20 Employee related costs	
Correction of VAT component on employee costs	(9,654)
Increase in employee costs due to correction of Creditors cut-off errors	373,410
	<u>363,756</u>
45.21 Depreciation and amortisation expense	
Correction of Depreciation due to new carrying values of assets identified	(2,557,859)
	<u>(2,557,859)</u>
45.22 Repairs and maintenance	
Reversal of Creditors incorrectly raised at year end	140,706
Correction of Stores balances at year end, due to cut-off errors	1,024,374
Correction of misallocation to Grants and Subsidies paid	(22,628)
Correction of VAT component on repairs and maintenance not previously claimed	(218,356)
	<u>924,096</u>
45.23 Finance costs	
Correction of Long term Liabilities due to interest miscalculation	(40,654)
Correction of VAT component on finance costs - misallocation	(4,742)
	<u>(45,396)</u>
45.24 Bulk purchases	
Correction of Bulk Purchases not expensed in 2010, correction of creditors	18,802,338
	<u>18,802,338</u>
45.25 Contracted services	
Correction of Stores amounts not included previously	67,758
Correction of VAT component on contracted services - misallocation	(5,642)
Correction of Creditors amounts not previously raised - cut-off	133,277
	<u>195,393</u>
45.26 Grants and subsidies paid	
Correction of Creditors amounts not previously raised - cut-off	310,665
Correction of VAT component on grants and subsidies	(54,928)
Correction of misallocation to Repairs and Maintenance	22,628
Correction of Stores amounts not included previously	11,675
Re-allocation of Expense to General expenses due to misallocation made	(127,450)
	<u>162,590</u>
45.27 General expenses	
Correction of Bank suspense amounts	4,714
Creditors not accrued for previously - corrected	1,822,019
Current year movement relating to Landfill rehabilitation	(251,531)
Prepayment of Insurance corrected	(2,812,026)
Re-allocation from Grants and Subsidies paid	127,450
Correction of Stores balances at year end, due to cut-off errors	3,235,544
Correction of VAT component on General expenses not previously accounted for	(1,004,439)
	<u>1,121,732</u>

King Sabata Dalindyebo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	R DT/(CT)
45.28 Accumulated Surplus - Refer to Statements of Changes in Net Assets	
Correction of Carrying values of Property Plant and equipment	(348,571,992)
Correction of Bank cut-off issues relating to prior year	(134,844)
Correction of Creditors balances which have previously been overstated	(13,592,071)
Correction of Investment property opening balance due to more investment properties being identified	(26,263,462)
Correction of Financial instrument balances opening balances	(418,456)
Portion of Landfill provision relating to 2009 year end	23,565,109
Correction of portion of unspent grants relating to prior year	5,079,604
Reversal of state cheques	(4,458,983)
Stores correction due to lack of cut-off, goods consumed prior to 2010	249,422
	<u>(364,545,673)</u>

46 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1)

King Sabata Dalindyebo Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2011

EXTERNAL LOANS		Loan number	Redeemable Date	Balance at 30 June 2010	Received during the period	Finance charges	Redeemed / written off during the period	Balance at 30 June 2011
LONG-TERM LOANS				R	R		R	R
PIC restructured loan agreement			31 Dec 2018	47,416,635	-	3,679,342	7,796,635	43,299,142
Total PIC loan at 30 June 2011				47,416,635	-	3,679,342	7,796,635	43,299,142
ANNUITY LOAN								
DBSA		10875	31 Mar 2018	5,499,444	-	797,727	1,176,643	5,120,528
DBSA		13336	31 Dec 2020	2,854,636	-	237,162	508,053	2,582,766
DBSA		103877	31 Dec 2026		6,289,256	38,611	77,389	6,260,478
				8,354,080	6,289,256	1,073,620	1,763,085	13,963,771
LEASE LIABILITIES								
MEEG	Prime - 1.5%	3012472131		3				3
MEEG	Prime - 1.05%	3012472199		6				6
MEEG	Prime - 1.05%	3012472220		6				6
MEEG		3025908323		428,853	-	38,618	118,800	347,671
				428,868	-	38,618	118,800	347,696
TOTAL EXTERNAL LOANS				56,200,583	6,289,256	4,789,480	9,678,720	57,600,599

King Sabata Dalindyebo Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	355,049,583	-	-	-	355,049,583	-	-	-	-	-	-	-	355,049,583
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	355,049,583	-	-	-	355,049,583	-	-	-	-	-	-	-	355,049,583
Buildings													
Workshops & Depots	1,300,000	-	-	-	1,300,000	(476,667)	(43,333)	-	-	(520,000)	-	-	780,000
Office Buildings	32,131,413	87,089	-	-	32,218,502	(52,155)	(2,803)	-	-	(54,958)	-	-	32,163,544
Vehicle Testing Station	4,536,723	-	-	-	4,536,723	(4,401,229)	(9,823)	-	-	(4,407,853)	-	-	128,871
Housing schemes	12,390,867	-	-	-	12,390,867	(4,180,532)	(418,028)	-	-	(4,598,560)	-	-	7,797,307
	50,358,003	87,089	-	-	50,445,092	(9,110,582)	(465,788)	-	-	(9,576,370)	-	-	40,868,722
Infrastructure													
Bridges, Subways	82,400	-	-	-	82,400	(11,902)	(2,747)	-	-	(14,648)	-	-	67,751
Bus Terminals	115,000	-	-	-	115,000	(42,167)	(3,833)	-	-	(46,000)	-	-	68,000
Car Parks	10,488	-	-	-	10,488	(2,214)	(350)	-	-	(2,564)	-	-	7,924
Electricity: Cable	85,476,059	-	-	-	85,476,059	(9,147,889)	(187,776)	-	-	(9,315,645)	-	-	76,160,414
Electricity: Suppl	34,385,200	-	-	-	34,385,200	(18,045,725)	(95,289)	-	-	(18,141,014)	-	-	18,244,186
Fencing & Security	35,710	207,873	-	-	243,583	(5,065)	(25,387)	-	-	(30,452)	-	-	213,131
Fire Stations	3,806,333	-	-	-	3,806,333	(1,008,445)	(120,211)	-	-	(1,128,656)	-	-	2,477,677
Paving	157,532	35,088	-	-	192,620	-	(3,037)	-	-	(3,037)	-	-	189,582
Public Works	3,858,000	-	-	-	3,858,000	(1,414,600)	(128,600)	-	-	(1,543,200)	-	-	2,314,800
Roads	192,618,239	20,530,512	-	17,723,441	230,872,192	(55,745,548)	(10,347,438)	-	-	(66,092,987)	-	-	184,777,204
Sewers	144,503	-	-	-	144,503	(38,128)	(7,225)	-	-	(43,351)	-	-	101,152
Street Lighting	2,072,283	-	-	-	2,072,283	(514,631)	(88,100)	-	-	(602,732)	-	-	1,469,551
Taxways	3,202,149	-	-	-	3,202,149	(875,017)	(188,657)	-	-	(1,063,674)	-	-	2,097,475
Transformer Kiosks	163,209,188	-	-	-	163,209,188	(8,309,450)	(406,138)	-	-	(8,715,588)	-	-	153,493,602
Tip Sites	871,681	-	-	-	871,681	(219,128)	(29,055)	-	-	(248,181)	-	-	623,479
	489,842,744	20,773,473	-	17,723,441	528,339,658	(98,477,884)	(11,584,842)	-	-	(108,062,727)	-	-	420,276,931
Community Assets													
Clinics and hospitals	3,150,766	-	-	-	3,150,766	(1,141,483)	(93,200)	-	-	(1,234,683)	-	-	1,916,083
Community centres	14,913,937	-	-	-	14,913,937	(5,040,328)	(440,871)	-	-	(5,481,197)	-	-	9,432,740
Libraries	1,498,088	-	-	-	1,498,088	(485,227)	(48,713)	-	-	(513,940)	-	-	984,128
Outdoor sports facilities	321,676	-	-	-	321,676	(128,670)	(1,340)	-	-	(130,010)	-	-	191,665
Public conveniences/ Bathrooms	56,000	-	-	-	56,000	(20,533)	(1,867)	-	-	(22,400)	-	-	33,600
Stadiums	184,383,605	-	-	30,141,846	214,525,451	(1,019,747)	(8,655)	-	-	(1,028,402)	-	-	213,507,050
Swimming pools	2,752,667	-	-	-	2,752,667	(877,470)	(52,960)	-	-	(1,030,420)	-	-	1,722,247
	207,086,718	-	-	30,141,846	237,228,564	(8,793,455)	(847,598)	-	-	(9,441,051)	-	-	227,787,513
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	1,102,338,028	20,860,562	-	47,865,287	1,171,063,877	(114,381,922)	(12,898,227)	-	-	(127,080,148)	-	-	1,043,983,728

King Sabata Dalindyebo Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	1,102,338,028	20,860,562	-	47,865,267	1,171,063,877	(114,381,922)	(12,698,227)	-	-	(127,080,148)	-	-	1,043,983,728
Other Assets													
Air conditioners	184,039	488,289	-	-	672,308	(89,242)	(73,595)	-	-	(162,837)	-	-	509,471
Computer hardware	1,439,895	587,884	-	-	2,037,980	(782,541)	(231,019)	-	-	(1,013,560)	-	-	1,024,419
Computer software	520	-	-	-	520	(121)	(104)	-	-	(225)	-	-	295
Equipment: ambulance and med	110,208	-	-	-	110,208	(107,865)	(2,308)	-	-	(110,173)	-	-	36
Equipment: fire	2,780	-	-	-	2,780	(2,789)	-	-	-	(2,788)	-	-	11
Equipment: Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment : Lawnmowers	146,860	-	-	-	146,860	(83,675)	(12,671)	-	-	(96,346)	-	-	50,514
Equipment: Other	902,582	317,372	-	97,292	1,317,256	(488,427)	(102,283)	-	-	(571,690)	-	-	745,565
Equipment : radio	5	24,949	-	-	24,854	-	(3,831)	-	-	(3,831)	-	-	21,024
Equipment: telecommunications	-	15,135	-	-	15,135	-	(2,804)	-	-	(2,804)	-	-	12,531
Furniture: cabinets and cupboard	381,510	150,250	-	-	511,759	(292,997)	(32,784)	-	-	(325,780)	-	-	185,999
Furniture: chairs	287,524	222,564	-	-	510,087	(238,698)	(29,317)	-	-	(268,016)	-	-	242,072
Furniture: other	70,994	227,454	-	-	298,448	(14,054)	(36,404)	-	-	(50,458)	-	-	247,990
Furniture: tables and desks	470,575	322,297	-	-	792,873	(329,749)	(75,986)	-	-	(405,435)	-	-	387,438
Household refuse bins	98,589	481,785	-	-	580,374	(95,311)	(11,093)	-	-	(106,404)	-	-	483,970
Office machines	81,929	14,840	-	-	96,769	(58,514)	(8,528)	-	-	(68,039)	-	-	28,730
Tip sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles: fire	887,580	-	-	-	887,580	(437,711)	(97,816)	-	-	(535,527)	-	-	352,053
Vehicles: graders	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles: lawnmowers	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles: motorcars	503,784	-	-	-	503,784	(501,989)	(1,810)	-	-	(503,779)	-	-	5
Vehicles: plant	120,000	-	-	-	120,000	(119,999)	-	-	-	(119,999)	-	-	1
Vehicles: tractors	89,000	-	-	-	89,000	(87,124)	(1,874)	-	-	(88,998)	-	-	2
Vehicles: trucks and bakkies	5,949,172	-	-	-	5,949,172	(5,948,132)	-	-	-	(5,948,132)	-	-	40
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,707,557	2,672,789	-	97,292	14,877,748	(9,861,899)	(723,684)	-	-	(10,385,583)	-	-	4,292,165
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,114,845,884	23,733,381	-	47,962,679	1,185,741,824	(124,043,821)	(13,421,916)	-	-	(137,465,731)	-	-	1,048,276,893

King Sabata Dalindyebo Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	355,049,563	-	-	-	355,049,563	-	-	-	-	-	-	-	355,049,563
	355,049,563	-	-	-	355,049,563	-	-	-	-	-	-	-	355,049,563
Buildings													
Workshops & Depots	1,300,000	-	-	-	1,300,000	(433,333)	(43,333)	-	-	(476,667)	-	-	823,333
Office Buildings	32,085,606	45,807	-	-	32,131,413	(51,181)	(993)	-	-	(52,155)	-	-	32,079,256
Vehicle Testing Station	4,536,723	-	-	-	4,536,723	(4,394,608)	(8,623)	-	-	(4,401,229)	-	-	135,494
Housing schemes	12,390,997	-	-	-	12,390,997	(3,767,803)	(413,028)	-	-	(4,180,532)	-	-	8,210,335
	50,313,196	45,807	-	-	50,359,003	(8,646,604)	(463,878)	-	-	(9,110,582)	-	-	41,248,421
Infrastructure													
Bridges, Subways	82,400	-	-	-	82,400	(9,156)	(2,747)	-	-	(11,902)	-	-	70,498
Bus Terminals	115,000	-	-	-	115,000	(36,333)	(3,833)	-	-	(42,167)	-	-	72,833
Car Parks	10,488	-	-	-	10,488	(1,864)	(350)	-	-	(2,214)	-	-	8,274
Electricity: Cable Stations	85,476,059	-	-	-	85,476,059	(8,880,062)	(167,776)	-	-	(9,147,869)	-	-	76,328,191
Electricity: Suppl	34,365,200	-	-	-	34,365,200	(17,950,436)	(95,289)	-	-	(18,045,725)	-	-	16,339,475
Fencing	610	35,100	-	-	35,710	(808)	(4,457)	-	-	(5,085)	-	-	30,645
Fire Stations	3,606,333	-	-	-	3,606,333	(888,234)	(120,211)	-	-	(1,008,445)	-	-	2,597,888
Paving	157,532	-	-	-	157,532	-	-	-	-	-	-	-	157,532
Public Works	3,858,000	-	-	-	3,858,000	(1,288,000)	(128,600)	-	-	(1,414,500)	-	-	2,443,400
Roads	162,384,280	18,903,465	-	11,318,513	192,616,239	(45,888,548)	(9,877,003)	-	-	(55,745,548)	-	-	136,870,890
Sewers	144,503	-	-	-	144,503	(28,801)	(7,225)	-	-	(36,126)	-	-	108,377
Street Lighting	1,174,370	897,913	-	-	2,072,283	(480,198)	(54,432)	-	-	(514,631)	-	-	1,557,651
Taxways	3,202,149	-	-	-	3,202,149	(815,381)	(158,657)	-	-	(975,017)	-	-	2,227,132
Transformer Kiosks	153,374,188	9,835,000	-	-	163,209,188	(8,761,745)	(547,705)	-	-	(9,308,450)	-	-	153,898,738
Tip Sites	871,661	-	-	-	871,661	(190,070)	(28,055)	-	-	(218,126)	-	-	652,535
	448,852,753	29,871,478	-	11,318,513	489,842,744	(85,278,544)	(11,196,340)	-	-	(96,477,884)	-	-	393,364,869
Community Assets													
Clinics and hospitals	3,150,768	-	-	-	3,150,768	(1,048,282)	(93,200)	-	-	(1,141,483)	-	-	2,008,283
Community centres/ Fire stations	14,913,937	-	-	-	14,913,937	(4,599,455)	(440,871)	-	-	(5,040,326)	-	-	9,873,611
Libraries	1,498,068	-	-	-	1,498,068	(416,514)	(48,713)	-	-	(465,227)	-	-	1,032,841
Office buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor sports facilities	321,876	-	-	-	321,876	(127,330)	(1,340)	-	-	(128,670)	-	-	193,005
Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Public conveniences/ Bathrooms	56,000	-	-	-	56,000	(18,667)	(1,887)	-	-	(20,533)	-	-	35,467
Stadiums	79,431,916	-	-	104,961,689	184,393,605	(1,011,093)	(8,855)	-	-	(1,019,747)	-	-	183,373,856
Swimming pools	2,752,667	-	-	-	2,752,667	(624,520)	(52,850)	-	-	(977,470)	-	-	1,775,197
	102,125,029	-	-	104,961,689	207,086,719	(8,145,859)	(847,596)	-	-	(8,793,455)	-	-	198,293,263
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artefacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	956,340,541	29,717,285	-	116,280,202	1,102,338,028	(102,072,007)	(12,309,915)	-	-	(114,381,822)	-	-	967,958,106

King Sabata Dalindyebo Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	956,340,541	29,717,285	-	116,280,202	1,102,338,028	(102,072,007)	(12,309,915)	-	-	(114,381,922)	-	-	987,956,106
Other Assets													
Air conditioners	103,262	80,777	-	-	184,039	(76,890)	(12,582)	-	-	(89,342)	-	-	94,787
Computer hardware	1,069,327	380,868	-	-	1,439,995	(643,464)	(139,077)	-	-	(782,541)	-	-	657,454
Computer software	520	-	-	-	520	(18)	(104)	-	-	(121)	-	-	399
Equipment: ambulance and med	110,209	-	-	-	110,209	(105,558)	(2,308)	-	-	(107,865)	-	-	2,344
Equipment: fire	2,780	-	-	-	2,780	(2,789)	-	-	-	(2,789)	-	-	11
Equipment: Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment : Lawnmowers	83,500	83,360	-	-	146,860	(63,498)	(178)	-	-	(63,675)	-	-	83,185
Equipment: Other	475,303	427,289	-	-	902,592	(434,083)	(35,384)	-	-	(469,427)	-	-	433,164
Equipment : radio	5	-	-	-	5	-	-	-	-	-	-	-	5
Equipment: telecommunications	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture: cabinets and cupboard	331,283	30,227	-	-	361,510	(277,920)	(15,077)	-	-	(292,997)	-	-	68,513
Furniture: chairs	249,389	38,154	-	-	287,524	(230,888)	(7,809)	-	-	(238,696)	-	-	48,825
Furniture: other	13,024	57,970	-	-	70,994	(9,843)	(4,211)	-	-	(14,054)	-	-	56,940
Furniture: tables and desks	378,420	92,155	-	-	470,575	(301,463)	(28,288)	-	-	(329,749)	-	-	140,825
Household refuse bins	98,589	-	-	-	98,589	(92,042)	(3,269)	-	-	(95,311)	-	-	3,277
Office machines	75,294	5,535	-	-	80,829	(53,816)	(5,698)	-	-	(59,514)	-	-	22,416
Tip sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles: fire	887,580	-	-	-	887,580	(339,895)	(97,816)	-	-	(437,711)	-	-	449,869
Vehicles: graders	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles: lawnmowers	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles: motorcars	503,784	-	-	-	503,784	(500,158)	(1,810)	-	-	(501,969)	-	-	1,815
Vehicles: plant	120,000	-	-	-	120,000	(118,999)	-	-	-	(118,999)	-	-	1
Vehicles: tractors	89,000	-	-	-	89,000	(86,250)	(1,874)	-	-	(87,124)	-	-	1,878
Vehicles: trucks and bakkies	5,949,172	-	-	-	5,949,172	(5,848,132)	-	-	-	(5,848,132)	-	-	40
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets	10,530,421	1,177,235	-	-	11,707,657	(9,308,436)	(355,463)	-	-	(9,661,899)	-	-	2,045,758
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	966,870,962	39,894,520	-	116,280,202	1,114,045,684	(111,378,443)	(12,668,378)	-	-	(124,043,821)	-	-	990,001,864

King Sabata Dalindyebo Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council	198,517	198,761			398,278	127,476	39,940		167,416	230,862
Finance & Admin	847,966	407,908			1,255,874	548,788	123,227		672,016	583,856
Planning & Development	116,140,678	179,483			116,320,161	98,106	68,226		166,332	116,153,829
Community & Social Services	40,283,671	1,419,819			41,703,690	229,972	156,811		386,483	41,317,207
Public Safety	161,077	236,660			397,637	44,764	41,083		85,837	311,800
Corporate Services	466,206	405,589			870,795	290,428	69,558		359,986	510,809
Infrastructure	660,163,622	20,884,242			681,047,864	107,329,189	12,117,703		119,446,892	561,600,972
Other	65,111,573				65,111,573	16,375,286	806,604		16,180,770	48,930,803
Total	883,372,510	23,733,362	-	-	907,105,872	124,043,979	13,421,752	-	137,465,731	769,640,141

King Sabata Dalindyebo Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

2010	2010	2010		2011	2011	2011
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
2,188,697	(45,086,229)	(42,897,532)	Executive & Council	2,785,998	(52,751,117)	(49,965,118)
257,086,165	(197,985,807)	59,100,358	Finance & Admin	288,664,959	(131,713,504)	156,951,455
141,960,929	(16,421,969)	125,538,961	Planning & Development	34,087,293	(20,108,830)	13,978,463
11,716,795	(18,584,223)	(6,867,427)	Health	5,853,000	(20,787,858)	(14,934,858)
73,885	(352,722)	(278,837)	Community & Social Services	69,216	(437,867)	(368,651)
721,423	(10,777,793)	(10,056,370)	Housing	1,113,884	(12,371,972)	(11,258,288)
18,347,927	(51,954,716)	(33,606,789)	Public Safety	19,739,640	(56,188,057)	(36,448,417)
-	(1,308,419)	(1,308,419)	Sport & Recreation	-	(1,686,549)	(1,686,549)
18,563,525	(36,267,165)	(17,703,640)	Waste Management	20,862,705	(36,956,409)	(16,093,704)
34,075,290	(19,457,050)	14,618,239	Road Transport	39,090,174	(36,493,507)	2,596,667
156,154,112	(114,482,772)	41,671,340	Electricity	188,202,204	(144,190,861)	44,011,543
3,820,014	(14,284,609)	(10,464,595)	Other	387,500	(14,208,985)	(13,819,485)
644,708,783	(626,963,475)	117,745,288		600,858,373	(527,893,314)	72,963,059

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	122,589,258	120,340,866	2,248,392	2	New Property Valuation, actual exceeded estimate
Service charges	206,938,878	207,507,601	(568,723)	-0	Refuse removal and Electricity
Rental of facilities and equipment	12,275,577	13,442,411	(1,166,834)	-9	
Interest earned – external investments	7,072,077	2,310,666	4,761,411	206	Interest included in unspent conditional grants
Interest earned – outstanding debtors	21,961,875	16,803,577	5,158,298	31	Major portion interest on household debt
Fines	1,936,231	1,784,745	151,486	8	
Licensing & permits	10,140,296	11,879,799	(1,739,503)	-15	Increase in rates on licencing fees
Government grants & subsidies	140,445,684	158,162,363	(17,716,679)	-11	Not all grant funding realised as some projects not finalised.
Government grants & subsidies – capital	69,293,670	-	69,293,670	-	Capital grant spent - Major Stadium and MIG
Other revenue	8,202,827	6,691,561	1,511,266	23	Underbudgeted for Fire brigade and Roadworthy fees
Total Revenue	600,856,373	638,923,588	61,932,784	11	
EXPENDITURE					
Employee related costs	198,867,916	218,863,353	(19,995,437)	-9	Some key vacancies resulting in underspending
Remuneration of councillors	18,729,089	15,895,362	2,833,727	18	
Bad debts	53,076,202	-	53,076,202	-	Provision for indigent/slow paying debtors raised
Billing adjustments	-1,793,387		(1,793,387)	100	Correction of billing errors
Depreciation	13,545,831	27,482,000	(13,936,169)	-51	
Repairs & maintenance	33,738,223	38,993,593	(5,254,370)	-13	
Finance costs	5,060,653	-	5,060,653		PIC and DBSA loans
Bulk purchases	112,821,948	109,104,813	3,717,135	3	Increase in Electricity costs-Eskom increase
Grants & subsidies paid	17,738,320	-	17,738,320	100	Grant exp included as general exp in budget
Contracted services	5,577,199	9,003,163	(3,425,964)	-38	
General expenses	70,530,320	115,293,009	(44,762,689)	-39	Grant exp included as general exp in budget
Loss/(Gain) on disposal of assets	-	(500,000)	500,000		
Total Expenditure	627,893,314	634,135,293	-6,241,979	-1	
NET SURPLUS/(DEFICIT) FOR THE YEAR	72,963,059	4,788,296	68,174,763		

APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 84 OF 2003

GRANT	DONOR	Brought Forward	Quarterly Receipts R'000					Quarterly Expenditure R'000				
			Sep.	Dec.	March	June	Total	Sep.	Dec.	March	June	Total
Equitable Share	DPLG	-	53,274,024	42,819,219	31,984,414	-	127,867,657	-	-	-	-	-
FMG	NT	880,454	1,200,000	-	-	-	1,200,000	-	-	-	585,228	880,228
2010 Stadium	DSBAC	24,142,688	-	-	-	-	-	3,341,441	5,936,641	-	3,929,684	13,206,965
NER	NER	16,802,036	-	2,000,000	8,000,000	-	8,000,000	-	2,064,173	-	6,424,084	6,478,257
Fleet Management	Prov. Treas	4,200,000	-	-	-	-	-	-	-	-	-	-
Urban Renewal	NT	16,262,617	-	12,000,000	6,048,000	-	18,048,000	6,528,950	3,879,179	944,624	7,274,128	18,626,880
Human Capital	Prov. Treas	9,421	-	-	-	-	-	-	-	-	-	-
Fire Station Refurbishment	Prov. Treas	3,347,883	-	-	-	-	-	-	-	-	33,839	33,839
DOT Taxi Rank	DOT	8,908,789	-	-	-	-	-	-	-	-	-	-
LED - Nduli Nature Reserve	DEAT	101,343	-	-	-	249,896	249,896	-	-	-	246,489	246,489
IDP Grant	DPLG	827,043	-	-	-	-	-	-	-	-	812,834	812,834
Municipal Support Program	NT	143,584	-	-	-	-	-	-	-	-	-	-
Disaster	DPLG	3,854,796	-	-	-	-	-	-	-	-	43,137	43,137
HIV Aids	DPLG	14,837	-	-	-	-	-	-	-	-	-	-
MIG Grants	DPLG	2,969,456	12,500,000	4,480,000	3,437,000	-	20,417,000	11,398,714	13,779,270	2,246,339	3,377,192	30,742,815
Zimbabwe Housing		21,567	946,860	130,017	12,260	24,626	1,113,763	945,748	124,862	39,470	33,151	1,194,030
Zimbabwe Valley Payment Plan		676,026	-	-	-	-	-	800,846	-	-	-	800,846
Mthi Housing		15,190	290,998	83,862	21,375	21,375	417,408	282,463	124,864	22,008	20,646	429,882
Kuyasa Housing		5,182	-	-	-	-	-	-	-	-	-	-
Meydane Cell a/c		1,460,442	-	-	-	-	-	204,889	206,554	93,626	46,000	661,069
Waterfall Phase IV		82,283	-	-	-	-	-	80,679	-	-	-	80,679
Kuyasa Housing Project		456,786	-	-	-	-	-	-	-	-	460,800	460,800
Nogwale Rural Housing		348,118	-	-	-	-	-	-	-	-	-	-
Xhugwale Rural Housing		203,390	-	-	-	-	-	-	-	-	-	-
Mababeni Rural Housing		226,006	-	-	-	-	-	-	-	-	-	-
Quthu Rural Housing		486,914	-	-	-	-	-	-	-	-	-	-
Mqanduli Middle Income Housing		333,652	-	-	-	-	-	-	-	-	-	-
Khuphukani		1,740,000	-	-	-	-	-	-	-	-	166,237	166,237
Light the Pilot		634,226	-	-	-	-	-	-	-	-	122,895	122,895
Mqanduli Milling Project		643,896	-	-	-	-	-	-	-	-	889,726	889,726
Municipal Service assistance		-	-	-	-	1,600,000	1,600,000	-	-	-	768,832	768,832
Performance management		80,000	-	-	-	-	-	-	-	-	-	-
Organogram Dev		736,638	-	-	-	-	-	-	-	-	-	-
KSD elections road		-	-	-	2,000,000	-	2,000,000	-	-	-	1,489,360	1,489,360
Grant Admin Devs		-	-	-	430,000	-	430,000	-	-	-	-	-
Rural Planning		836,760	-	-	-	-	-	-	-	-	367,500	367,500
Uphuliso Lwethu		-	-	-	500,000	500,000	1,000,000	-	-	-	5,883	5,883
Sec 21		166,119	-	-	-	-	-	144,626	-	-	-	144,626
KSD intervention		1,008,360	-	-	-	-	-	-	-	-	-	-
Waterfall Park Fund		124	-	-	-	-	-	124	-	-	-	124
Umtata Consolidated park		2,508,715	-	-	-	-	-	-	-	-	-	-
Meydane Beneficiary top-up		240	-	-	-	-	-	-	-	-	-	-
Municipal Systems improvement grant		518,011	760,000	-	-	-	760,000	-	-	-	1,220,041	1,220,041
		74,178,480	186,681,671	30,917,261	86,942,948	20,329,232	364,914,993	78,884,780	81,368,336	67,166,868	88,676,387	264,888,347